



Australian Bureau of Statistics

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UNDEREMPLOYMENT IN AUSTRALIA

One of the findings from the *Information paper: Outcomes of the Labour Household Surveys Content Review, 2012* (cat. no. 6107.0) was to increase the availability of key data, including publishing underemployment and underutilisation rates derived from the Monthly Population Survey. Commencing with this publication of *Labour Force, Australia* (cat. no. 6202.0), underemployment and underutilisation data will be released monthly rather than quarterly, allowing for greater comparability with unemployment data.

This paper provides a brief history and definition of underemployment, as well as the expanded analytical series also included in *Labour Force, Australia* (cat. no. 6202.0). The paper then examines key trends in underemployment over time, by full-time and part-time employment, sex, age groups, state, industry and occupation. All data refers to trended data, unless otherwise noted.

AN INTRODUCTION TO UNDEREMPLOYMENT

The underemployment rate is an important associated measure with the unemployment rate in measuring excess capacity in the Labour Market. The underemployment data released in *Labour Force, Australia* (cat. no. 6202.0) is time-related underemployment. Time-related underemployment reflects an employee who desires, and is available for, additional working hours. Inadequate employment situations, which is not captured by the ABS in *Labour Force, Australia* (cat. no. 6202.0), includes additional aspects of underemployment such as a mismatch of skills and experience. Employed persons may be simultaneously in time-related underemployment and inadequate employment situations. Further information can be found in *Labour Statistics: Concepts, Sources and Methods, Feb 2018* (cat. no. 6102.0.55.001). The measure of underemployment includes employed persons aged 15 years and over who want, and are available for, more hours of work than they currently have. They comprise:

- persons employed part time who want to work more hours and are available to start work with more hours, either in the reference week or in the four weeks subsequent to the survey; or
- persons employed full time who worked part time hours in the reference week for economic reasons (such as being stood down or insufficient work being available). It is assumed that these people wanted to work full time in the reference week and would have been available to do so.

From 1978, the ABS has published monthly seasonally adjusted and trend measures of unemployment and a quarterly measure of underemployment over the same period. Commencing with this publication, the ABS is publishing seasonally adjusted and trend underemployment series monthly with data from 1978, assisting comparability with the unemployment rate. Also published for the first time is an expanded analytical series, making available data on all employed persons that have a preference for more hours.

MONTHLY UNDEREMPLOYMENT COLLECTION

Prior to March 2001, underemployment was collected monthly, and published on a quarterly basis. Between April 2001 and June 2014, one component of underemployment (the reason a person worked less than 35 hours) continued to be collected monthly, whereas the other component (would prefer and are available for more hours) was collected quarterly. The collection of monthly underemployment recommenced in July 2014 and was published in original terms within Table 24. Underutilised persons by Age and Sex, Monthly and Table 25.

Underutilised persons by State, Territory and Sex, Monthly in *Labour Force, Australia* (cat. no. 6202.0).

An adequate time series of data since July 2014 has now been collected to allow the identification of seasonal patterns. Additionally, the identified seasonal patterns allowed the development of a synthetic monthly series between April 2001 and June 2014 using interpolated monthly 'Prefer more hours' data between the quarterly measurements. An overlay of observed unemployed seasonal patterns has been applied to maintain coherence with the data on either side of the series break. These two components were required to publish monthly trend and seasonally adjusted estimates.

Monthly data has replaced the quarterly data in Table 22. Underutilised persons by Age and Sex - Trend, Seasonally adjusted and Original and Table 23. Underutilised persons by State and Territory and Sex - Trend, Seasonally adjusted, Original.

EXPANDED ANALYTICAL SERIES

Commencing with this publication of *Labour Force, Australia* (cat. no. 6202.0), are two tables of underutilisation with an increased scope. With this expanded scope, there may be an overlap in survey responses between inadequate employment situations and time-related underemployment. Hence, the series are additional to the headline monthly underemployment series to provide a richer array of data for expanded analysis.

In addition to the groups included in the underemployment estimates outlined above, the following additional groups are included in the Expanded Analytical Series:

- full-time workers who would prefer to work more hours and were available to start work with more hours, either in the reference week or in the four weeks following the survey;
- full-time workers who still worked full-time hours in the reference week, but worked less than their usual full-time hours for economic reasons (such as being stood down or insufficient work being available); and
- part-time workers who worked less than their usual part-time hours during the reference week for economic reasons and did not prefer or were unavailable for more hours.

Expanded Analytical Series data will replace the monthly original data in Table 24. Underutilised persons by Age and Sex (expanded analytical series) and Table 25. Underutilised persons by State, Territory and Sex (expanded analytical series).

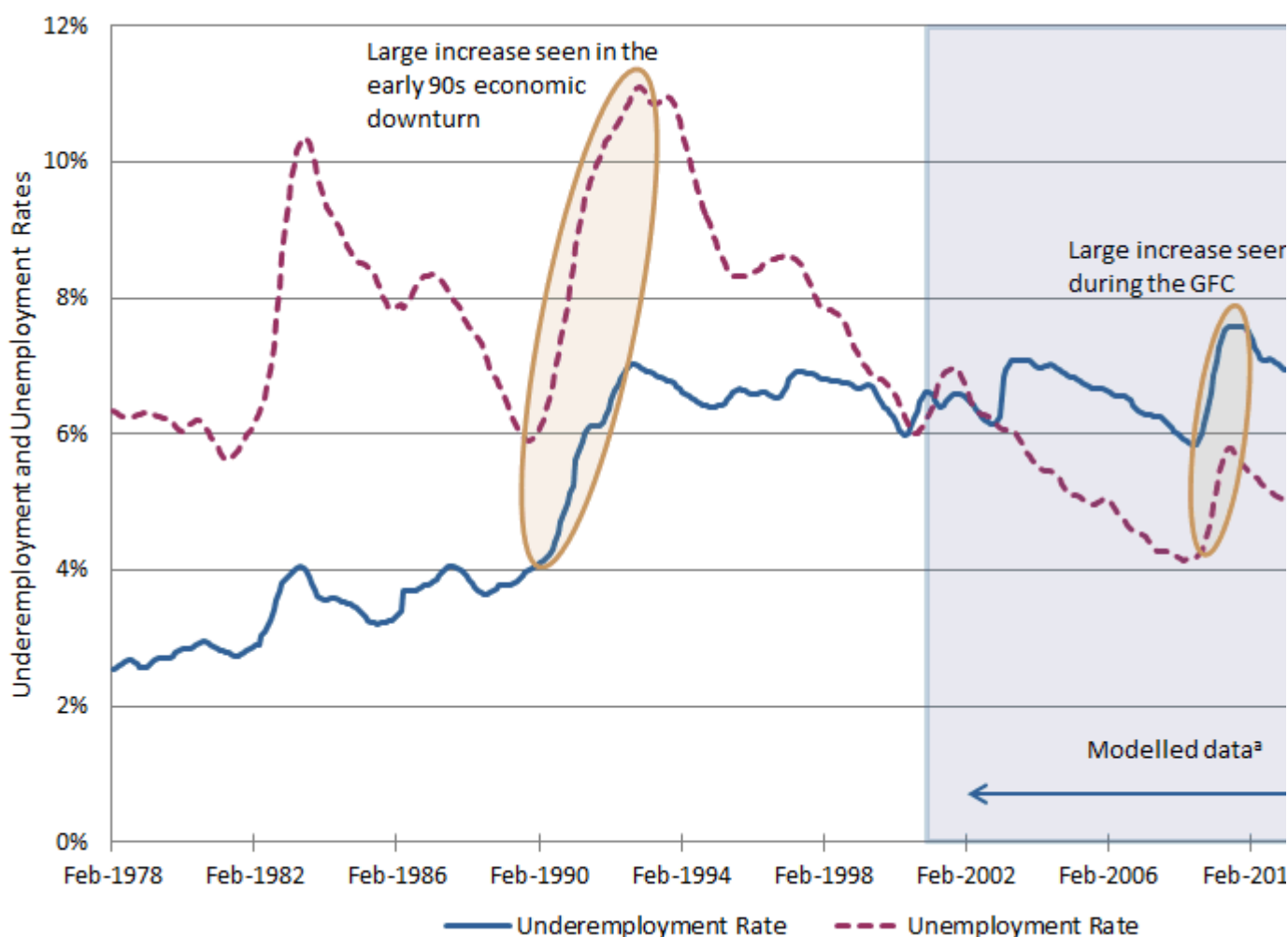
AUSTRALIA'S UNDEREMPLOYMENT OVER TIME

As of September 2018, Australia's trended underemployment rate (the proportion of underemployed to the total labour force) remained high in historical terms at 8.3%, but below the

peak of 8.8% recorded in March 2017.

The underemployment rate has been increasing since it was first recorded in the February 1978 reference period. Over the last four years, the rate has seen minimal fluctuation, remaining between 8.3% and 8.8% in trend terms. The underemployment rate showed large increases over economic downturns - most notably during the early 1990s and the Global Financial Crisis (GFC) (refer to Graph 1).

Graph 1, Underemployment and unemployment rates trended, February 1978 to September 2018



a. The monthly data for part-time workers who want to work more hours, between April 2001 and June 2014, is modelled as data during this period was collected quarterly.

UNDEREMPLOYMENT BY FULL-TIME AND PART-TIME EMPLOYMENT

As of September 2018, part-time employees represented just under 93% of all underemployed. Findings from the Melbourne Institute: Applied Economic & Social Research looking at the Household, Income and Labour Dynamics in Australia Survey point towards high concentrations of underemployment where proportions of part-time employment are highest¹. The share of part-time employment over total employment and the underemployment ratio have both seen similar patterns of growth over time (see Table 1).

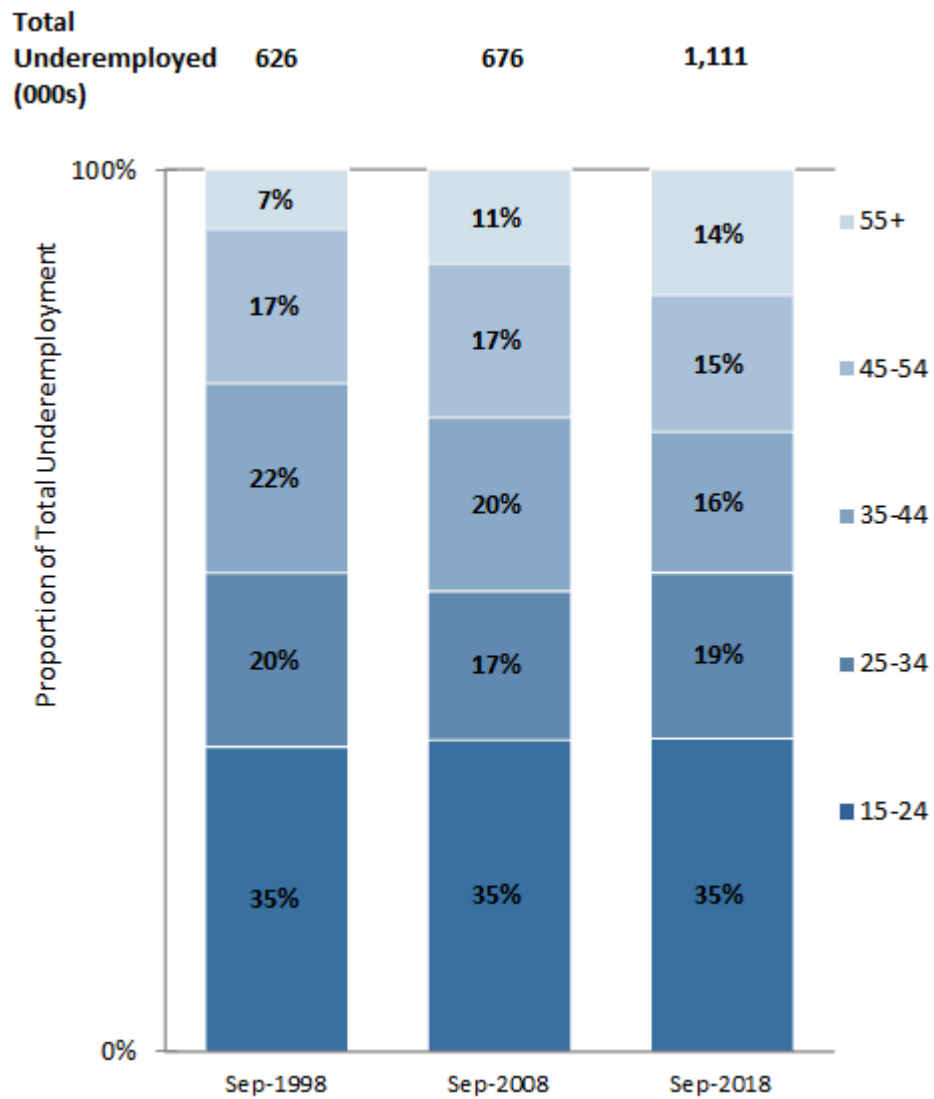
Table 1, Part-time employment over total employment and the underemployment ratio over time,

| Date | Part-time employment/ total employment | Underemployment ratio |
|----------|---|--------------------------|
| Sep-2018 | 31.6% | 8.8% |
| Sep-2008 | 28.3% | 6.3% |
| Sep-1998 | 25.9% | 7.3% |
| Sep-1988 | 19.9% | 3.9% |
| Sep-1978 | 15.4% | 2.8% |

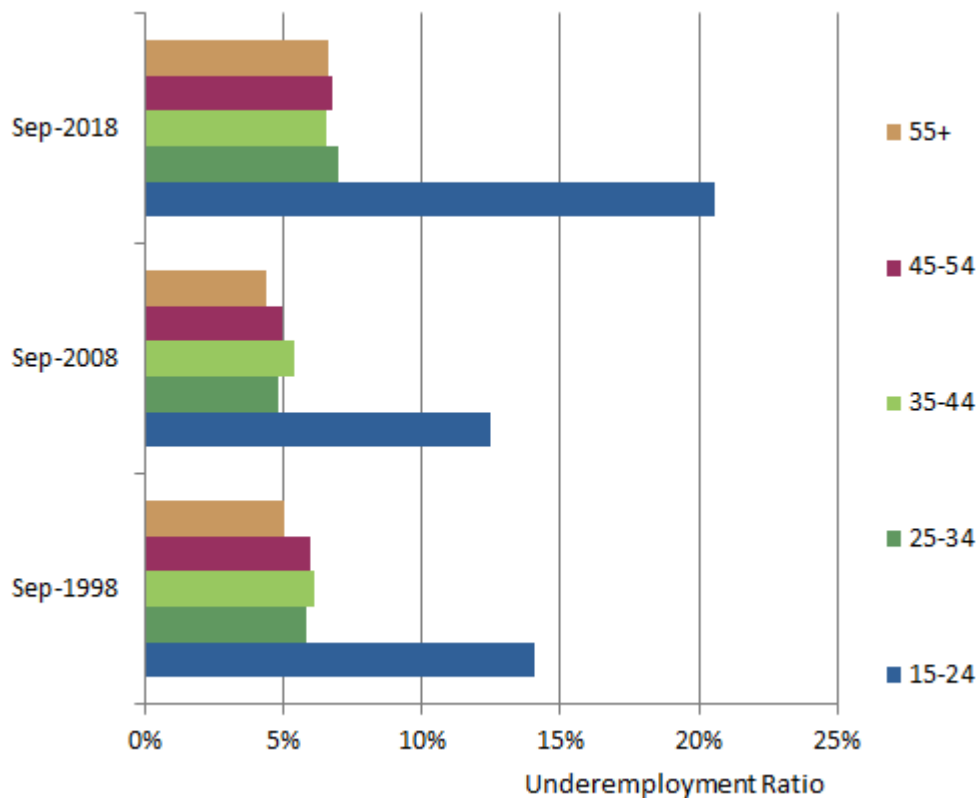
UNDEREMPLOYMENT BY AGE

Underemployment differs by age group, with those aged between 15 and 24 making-up over 35% of all underemployed and having the highest underemployment rate (18.1%) and underemployment ratio (20.5%) (the proportion of underemployed aged between 15-24 over employed aged 15-24) as of September 2018. Graph 3 displays the underemployment ratio for each age group over two decades, and shows that the 15-24 age group constantly has the highest underemployment ratio. All other age groups have an underemployment ratio between 6.6% and 7.0% with 35-44 and 55+ having the lowest ratios (both 6.6%). Over the last 20 years, the age groups on the lower and upper extremities have seen the largest growth rate in their total underemployment; underemployment for over 55s increased 275%, for 15-24 year olds 83%, while total underemployment increased 78%.

Graph 2, Total underemployment by age group



Graph 3, Underemployment ratio by age group



UNDEREMPLOYMENT BY SEX

Females have consistently represented the greater share of underemployed workers; as of September 2018, females made-up 60.1% of all underemployed. The female underemployment rate is 10.7%, meaning one in ten females in the labour force were underemployed in September 2018. Males made-up 39.9% of the underemployed as of September 2018 and had an underemployment rate of 6.3%. This difference between female and male underemployment is reflected by various factors including that females are more likely to work part-time (46.4% of females and 18.6% of males employed in September 2018 were employed part-time).

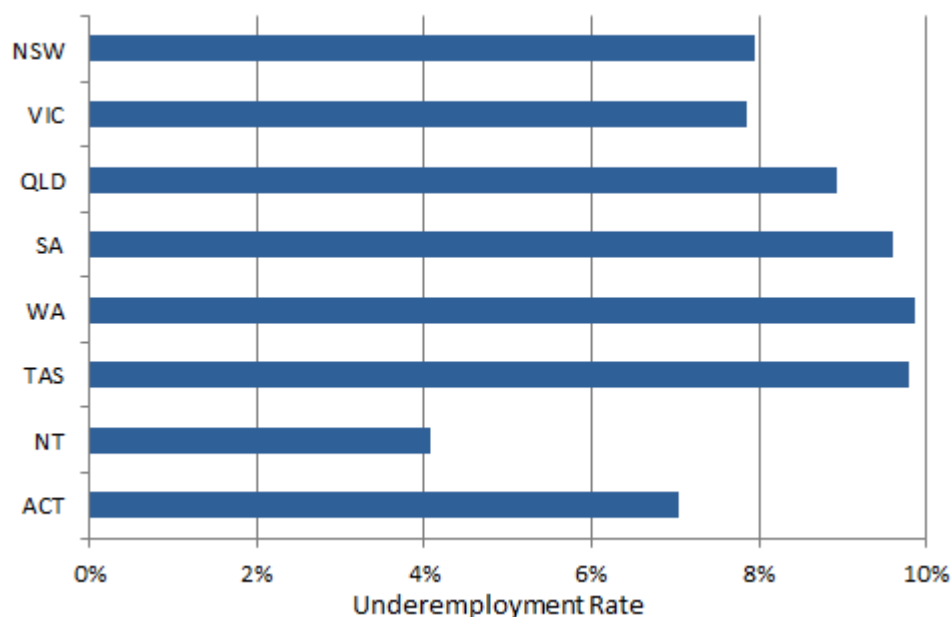
Table 2, Underemployment by sex

| | Males | | | Females | | |
|----------|----------------------|---------------------|-----------------------------------|----------------------|---------------------|-----------------------------------|
| | Underemployment rate | Underemployed (000) | Proportion of total underemployed | Underemployment rate | Underemployed (000) | Proportion of total underemployed |
| Sep-2018 | 6.3% | 443 | 39.9% | 10.7% | 668 | 60.1% |
| Sep-2008 | 4.4% | 269 | 39.8% | 8.0% | 407 | 60.2% |
| Sep-1998 | 5.0% | 264 | 42.2% | 9.0% | 362 | 57.8% |

UNDEREMPLOYMENT BY STATE

Australia's States and Territories have significant differences in their underemployment rates. The Northern Territory and the Australian Capital Territory have the lowest underemployment rates in September 2018 at 4.1% and 7.0% respectively. This is followed by Victoria and New South Wales at 7.9%, and Queensland at 8.9%. On the higher end of the spectrum there is South Australia 9.6%, Tasmania 9.8% and Western Australia at 9.9%.

Graph 4, Underemployment rate by State, September 2018



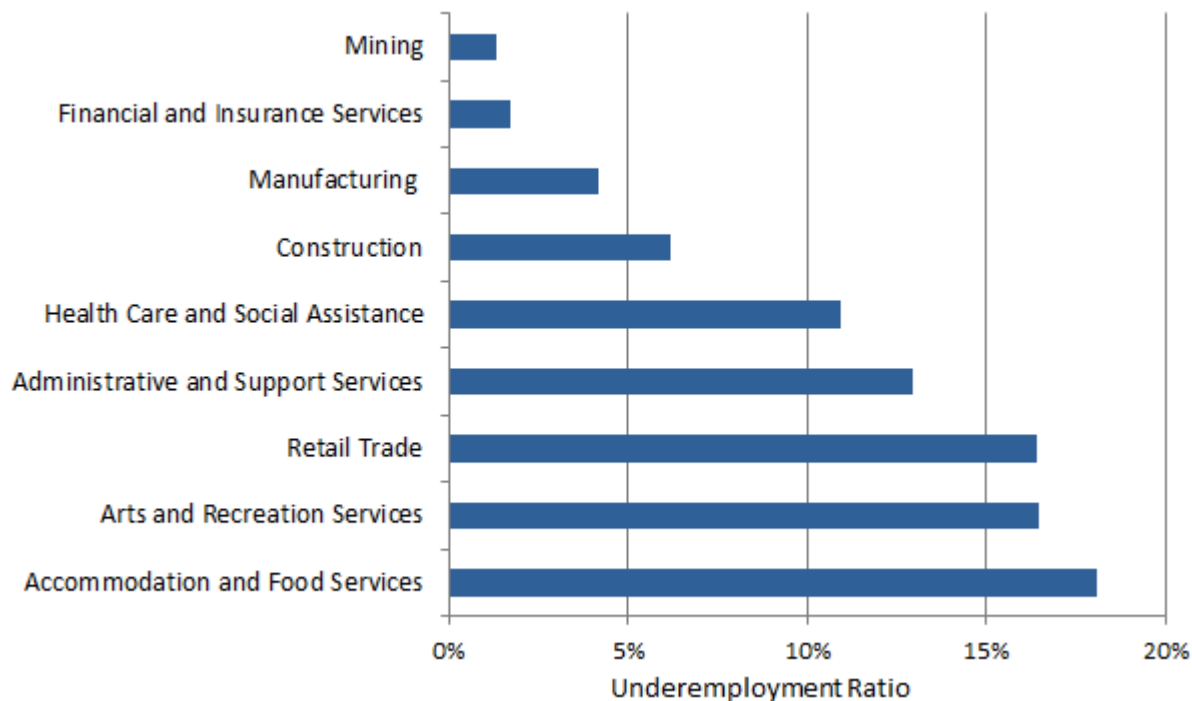
UNDEREMPLOYMENT BY INDUSTRY OF MAIN JOB

For completeness, industry and occupation underemployment data is presented here, utilising August 2018 data. Underemployment and underutilisation data by industry and occupation will remain quarterly, published in *Labour Force, Australia, Detailed, Quarterly* (cat. no. 6291.0.55.003).

The number of underemployed is highly concentrated within select industries; Retail Trade, Health Care and Social Assistance and Accommodation and Food Services all have relatively high numbers of underemployed. These three industries together account for over 50% of total underemployed in original terms.

The underemployment ratio is above 16% in original terms for Retail Trade, Arts and Recreation Services, and Accommodation and Food Services in August 2018. Note that the industry data refers to industry of main job, and does not necessarily reflect that people employed in these industries would prefer more hours in the same industry.

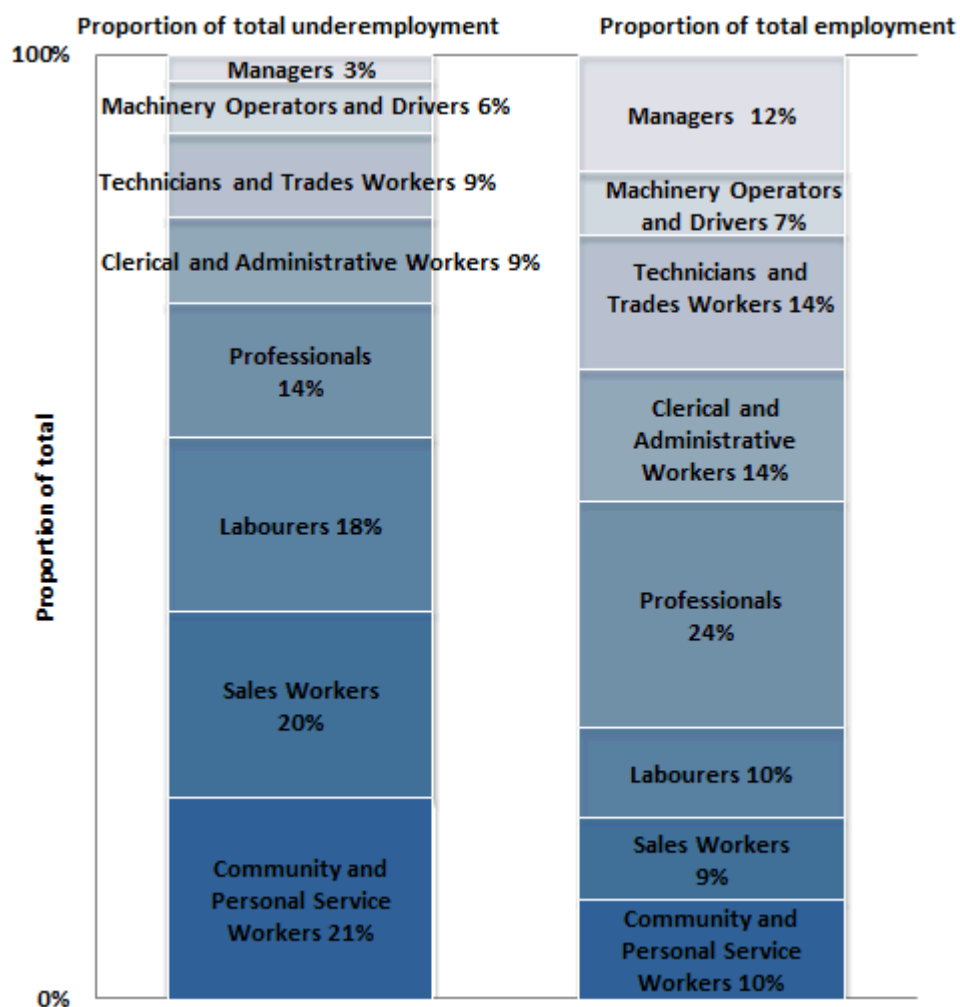
Graph 5, Underemployment ratio by industry (original terms), August 2018



UNDEREMPLOYMENT BY OCCUPATION

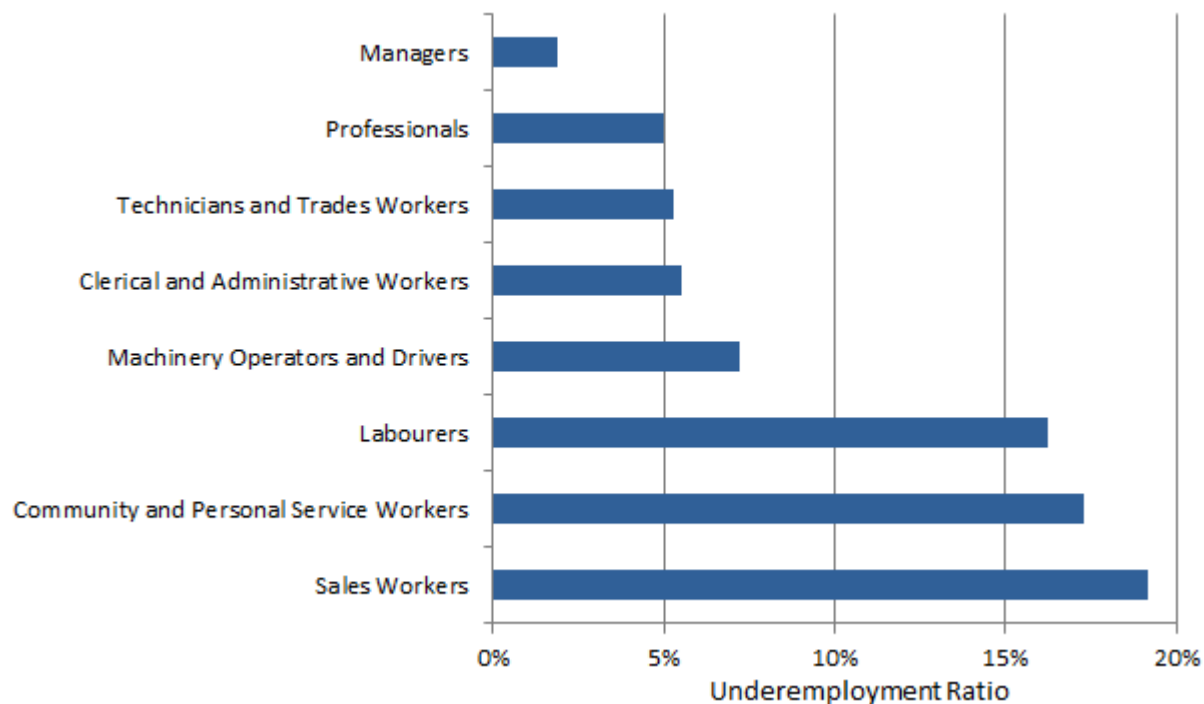
Underemployment also varies substantially by the occupation of an employee. As a proportion of total underemployment in August 2018, underemployed Managers and, Machinery Operators and Drivers had the lowest proportions in original terms at 3% and 6% of all underemployed respectively. Managers however accounted for 12% of all employed and, Machinery Operators and Drivers 7%. Sales Workers and, Community and Personal Service Workers, had the highest proportions of underemployed at 20% and 21% respectively while their proportion of employed was 9% and 10% respectively (see Graph 6).

Graph 6, Proportion of total underemployment and employment by occupation (original terms), August 2018



Sales workers and, Community and Personal Service Workers were the occupations in August 2018 with the highest underemployment ratios in original terms at 19.2% and 17.3% respectively. The ratio was lowest for Managers (1.9%) and Professionals (5.0%) (see Graph 7).

Graph 7, Underemployment ratio by occupation (original terms), August 2018



END NOTES

1. Wilkins, Roger and Inga Lass (2018) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute: Applied Economic & Social Research. University of Melbourne.

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